

NEW APPLICATION

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT "BOB" BURNS - Chairman
ANDY TOBIN
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON

In the matter of:

SEAN ZARINEGAR a.k.a. SEAN ZAR
a.k.a. BEJAHN ZARRINNEGAR and KORI
ZARINEGAR, husband and wife,

JACK COMBS and NANCY COMBS,
husband and wife,

PERFORMANCE REALTY
MANAGEMENT, LLC, an Arizona limited
liability company,

AMERICAN REALTY PARTNERS, LLC,
an Arizona limited liability company,

CORIX BIOSCIENCE, INC., a Wyoming
corporation, formerly known as CORIX
BIOSCIENCE, INC., a Maryland
corporation, formerly known as AMERICAN
HOUSING INCOME TRUST, INC., a
Maryland corporation,

Respondents.

DOCKET NO. S-21073A-19-0063

**NOTICE OF OPPORTUNITY FOR
HEARING REGARDING PROPOSED
ORDER TO CEASE AND DESIST, ORDER
FOR RESTITUTION, AND ORDER FOR
ADMINISTRATIVE PENALTIES**

**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING
EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that Respondents Sean Zarinigar, Jack Combs, Equity Pacesetter, LLC, Equity Pacesetter II, LLC, Equity Pacesetter III, LLC, American Realty Partners, LLC, Performance Realty Management, LLC, and Corix Bioscience, Inc., formerly known as American Housing Income Trust, Inc., have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II.

RESPONDENTS

2. Sean Zarinigar, also known as Sean Zar, originally named Bejahn Zarrinnigar, (“Zarinigar”) has been a resident of Arizona at all times relevant to this matter.

3. Kori Zarinigar has been the spouse of Respondent Zarinigar at all relevant times. Kori Zarinigar is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.

4. At all relevant times, Sean Zarinigar was acting for his own benefit and for the benefit or in furtherance of his and Kori Zarinigar’s marital community.

5. Jack Combs (“Combs”) has been a resident of Arizona at all times relevant to this matter.

6. Nancy Combs has been the spouse of Respondent Combs at all relevant times. Nancy Combs is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community. Kori Zarinigar and Nancy Combs are hereinafter collectively referred to as (“Respondent Spouses”).

7. At all relevant times, Combs was acting for his own benefit and for the benefit or in furtherance of his and Nancy Combs’ marital community.

8. Performance Realty Management, LLC (“PRM”) is a manager-managed limited liability company organized under the laws of the state of Arizona on or around October 20, 2009.

9. At all relevant times, Zarinigar was a manager of PRM.

10. Equity Pacesetter, LLC (“EP”) is a manager-managed limited liability company organized under the laws of the state of Arizona on or around October 28, 2009.

11. At all relevant times, PRM was the sole manager of EP.

12. Equity Pacesetter II, LLC ("EP II") is a manager-managed limited liability company organized under the laws of the state of Arizona on or around October 13, 2011.

13. At all relevant times, PRM was the sole manager of EP II.

14. Equity Pacesetter III, LLC ("EP III") is a manager-managed limited liability company organized under the laws of the state of Arizona on or around November 30, 2012.

15. At all relevant times, PRM was the sole manager of EP III.

16. American Realty Partners, LLC ("ARP") is a manager-managed limited liability company organized under the laws of the state of Arizona on or around September 3, 2013.

17. On or around November 26, 2013, EP, EP II, and EP III merged with and into ARP.

18. At all relevant times, PRM was the sole manager of ARP.

19. American Housing Income Trust, Inc. ("AHIT") is a corporation organized under the laws of the state of Maryland on or around May 4, 2015.

20. Zarinegar held the following positions at AHIT:

a) Director from at least May 6, 2015, to March 1, 2017;

b) Chairman of the board of directors from at least May 6, 2015, to May 14, 2015, and from June 29, 2015, to March 1, 2017;

c) Chief executive officer from at least May 18, 2015, to October 12, 2015, and from November 29, 2016, to March 1, 2017;

d) Chief financial officer from at least June 29, 2015, to March 1, 2017;

e) President from at least June 29, 2015, to October 12, 2015, and from November 29, 2016 to March 1, 2017; and

f) Treasurer from at least June 29, 2015, to March 1, 2017.

21. On or around May 4, 2017, AHIT changed its name to Corix Bioscience, Inc.

22. On or around June 20, 2017, Corix Bioscience, Inc. caused itself to convert into and continue as Corix Bioscience, Inc. (“Corix”) a corporation registered with the secretary of state of Wyoming.

23. Sean Zarinegar, Kori Zarinegar, Jack Combs, EP, EP II, EP III, ARP, PRM, and Corix may be referred to collectively as “Respondents.”

III.

FACTS

24. From 2010 through 2017, Zarinegar organized and operated several “fix and flip” or “buy and hold” real estate companies which raised funds through a series of offerings of unregistered securities in the form of membership units and shares of stock. In sum, PRM, EP, EP II, EP III, ARP, and AHIT (“the Companies”) and Zarinegar raised at least \$16,579,304 from at least 297 investors.

25. During the offering process, the Companies and their agents, who were not registered with the Commission to sell securities, made false and misleading representations to potential investors. Zarinegar and the Companies then misappropriated certain investment proceeds.

Zarinegar's History

26. From approximately March 15, 1995, to January 3, 2000, Zarinegar was registered with the National Association of Securities Dealers ("NASD") in association with American Income Securities ("AIS").

27. While associated with AIS, Zarinegar was the subject of an NASD arbitration in which an AIS customer alleged fraud and misrepresentation in connection with the customer's investment in two limited liability company private placements.

28. While associated with AIS, Zarinegar was the subject of another NASD arbitration in which AIS customers alleged misrepresentations, unsuitability of investments, and breach of fiduciary duty in connection with their investments in two limited partnerships.

1 29. While associated with AIS, Zarinegar was also the subject of a civil action in which
2 a customer alleged fraud and breach of fiduciary duty in connection with his investments in two
3 limited partnerships.

4 30. On or around April 19, 2000, Zarinegar filed a petition for bankruptcy in the United
5 States Bankruptcy Court, Central District of California.

6 31. Zarinegar's bankruptcy was precipitated by a high-risk investment that resulted in
7 large losses and Zarinegar's insolvency.

8 32. From approximately July 9, 2001, to April 8, 2005, Zarinegar was registered with
9 the NASD as a general securities representative in association with Malory Investments, LLC
10 ("Malory").

11 33. On or around July 5, 2007, the Alabama Securities Commission issued
12 Administrative Order No. CD-2007-0019 ("Alabama Order") against Zarinegar, Malory, and
13 others.

14 34. Pursuant to the Alabama Order, the Alabama Securities Commission determined
15 that Zarinegar:

16 a) Engaged in dishonest or unethical business practices in connection with the
17 offer, sale, or purchase of securities;

18 b) Engaged in any act, practice or course of business, in connection with the
19 offer, sale or purchase of securities, which operates or would operate as a fraud or deceit upon any
20 person; and

21 c) Obtained money through the sale of securities by means of making untrue
22 statements or omitting to state facts necessary in order to make the statements made not misleading.

23 35. On or around July 6, 2007, the Securities Commissioner of Kansas issued a cease
24 and desist order ("Kansas Order") against Zarinegar and Malory.

36. Pursuant to the Kansas Order, the Securities Commissioner of Kansas found that Zarinegar and others engaged in a course of business, in connection with the offer, sale or purchase of securities, which works or tends to work a fraud or deceit upon the purchaser.

37. On December 28, 2009, a civil lawsuit ("2009 Action") was filed against Zarinagar and others in Maricopa County Superior Court.

38. The Complaint in the 2009 Action alleged that Zarinegar conspired to commit fraud in connection with a real estate transaction.

39. The claims against Zarinegar were settled in April 2010.

40. In July 2004, Zarinegar organized Housing Partners, Inc., later renamed Core Land & Investments, Inc. ("Core Land") under the laws of the state of Colorado.

41. Zarinegar was the president, secretary, and treasurer, and manager of Core Land.

42. Zarinegar's duties at Core Land included real estate acquisition and development, and supervision of capital structures, property management, leasing, maintenance, and construction.

43. From approximately July 2004 to August 2007, Core Land sold its stock to at least 197 investors in exchange for at least \$14,459,727.

44. Core Land ultimately failed, dissolved in December 2010, and the investments in it were largely lost.

Combs' History

45. On July 31, 1997, the Commission entered an Order to Cease and Desist, Order for Administrative Penalties, and Consent to Same ("Arizona Combs Order") against Combs.

46. Pursuant to the Arizona Combs Order, the Commission concluded that Combs violated the Arizona Securities Act's registration statutes by selling unregistered securities, and by selling securities while not being registered to do so.

47. Pursuant to the Arizona Combs Order, the Commission further concluded that Combs violated the Arizona Securities Act's antifraud statute by, in connection with the offers and/or sales of securities:

a) Making untrue statements of material fact and omitting to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; and

b) Engaging in transactions, practices or courses of business which operated as a fraud or deceit upon offerees and/or investors.

48. On August 31, 1998, the Securities Commissioner of Kansas issued a Permanent Cease and Desist Order ("Kansas Combs Order") against Combs.

49. Pursuant to the Kansas Combs Order, the Securities Commissioner of Kansas concluded that Combs had violated the Kansas Securities Act by selling unregistered securities and by selling securities while not being registered to do so.

50. On March 1, 2005, the Securities Commissioner of Texas entered an Agreed Cease and Desist Order and Order Assessing Administrative Fine (“Texas Combs Order”) against Combs.

51. Pursuant to the Texas Combs Order, the Securities Commissioner of Texas concluded that Combs violated the Texas Securities Act by offering unregistered securities, and by offering securities while not being registered to do so.

Equity Pacesetter, LLC

52. From approximately May 2010 through February 2012, Zarinegar, Combs, EP, and PRM sold EP membership units (“EP Units”) to at least 59 investors (“EP Investors”) in exchange for at least \$3,295,401.

53. The EP Units were not registered with the Commission.

54. Some of the EP Investors were solicited via cold calls from EP or PRM.

55. Agents acting on behalf of EP or PRM provided certain EP Investors with a Private Placement Memorandum and Operating Agreement (collectively, “EP Offering Documents”) prior to their investments.

56. Regarding EP's business plan, the EP Offering Documents provided that EP intended "to engage in the business of purchasing real estate for the purpose of making cosmetic

1 changes, repairs and other enhancements in order to increase the value of the property, and then
2 selling such property. This process is generally referred to as 'fix and flip.'"

3 57. Regarding investor returns, the EP Offering Documents stated that:

4 a) Investors would receive a 10% "preferred return" each year;

5 b) Investors would receive distributions of EP's "net available cash flow,"
6 defined as the excess of gross cash receipts over cash disbursements, until their unreturned capital
7 contribution amounts were reduced to zero; and

8 c) Investors would receive distributions of 90% of EP's net available cash flow
9 after all unreturned capital contribution amounts were reduced to zero.

10 58. With respect to management and control of EP, the Offering Documents provided:

11 a) "Investors will have no voting rights and will not be permitted to take part in
12 the management or control of the Company's business.";

13 b) PRM was the manager of EP, and had the exclusive authority to manage the
14 day-to-day business and affairs of EP; and

15 c) PRM's "key personnel," included "Sean Zar," the manager of PRM, and
16 Combs, the "VP, Acquisitions" of PRM.

17 59. The EP Offering Documents provided the following information regarding
18 Zarinegar's qualifications:

19 a) "Mr. Zar brings more than 20 years of experience in operations evaluation,
20 investment and management of business including Real [*sic*] estate, development, construction,
21 finance, marketing and brokerage, among others";

22 b) "Mr. Zar possesses many years of experience in real estate management
23 including corporate strategic planning, partner development and relations, land acquisition,
24 entitlement processing and government relations, project planning and financing, land development
25 and new home construction.";

1 c) “Sean has a unique combination of experience that provides a broad range of
2 knowledge that is needed to be successful in the challenging environment of today’s real estate
3 industry”;

4 d) “Prior to the liquidity crisis, Mr. Zar was actively involved in land
5 acquisition, development processes, financing, and management of multi-family and single-family
6 projects. His responsibilities involved land development, supervision of capital structures, property
7 management, leasing, maintenance and construction activities for its many subsidiary LLC’s and
8 commercial properties in Colorado Springs, Colorado.”; and

9 e) “Mr. Zar has been active as a real estate investor in Colorado Springs and
10 southern California and Arizona for several years, and also has more than 20 years [*sic*] business
11 experience in covering all aspects of the investment arena.”

12 60. Zarinegar verbally represented to at least one EP Investor that his superior skills and
13 past experience made him unusually well qualified to obtain the profits he promised the EP
14 Investor.

15 61. Regarding Combs’ qualifications, the EP Offering Documents stated:

16 a) Combs is a “graduate in the masters [*sic*] program at USC Los Angeles and
17 has taught numerous classes in business and finance.”;

18 b) Combs’ “interest in the financial services industry led him to a career in the
19 investment banking industry with E.F. Hutton & Co.”; and

20 c) “In 1992 he moved to Scottsdale, Arizona and became involved in the real
21 estate opportunities.”

22 62. The EP Offering Documents did not disclose any information regarding the events
23 in Zarinegar’s or Combs’ history discussed in ¶¶ 26–51, *supra*.

24 63. The EP Offering Documents contained the following representations regarding the
25 offering and use of proceeds:
26

1 a) EP was offering 500 limited liability company units at a price of \$10,000 per
2 Unit, for a total aggregate price of \$5,000,000;

3 b) Offering expenses, defined as “costs and expenses incurred in connection
4 with this offering,” would be \$15,000;

5 c) Fees to real estate brokers would be 1.2% to 1.5% of the investment
6 proceeds; and

7 d) The remainder of the investment proceeds would be used on the purchase of
8 properties, renovation and improvement costs and expenses, insurance, and utilities, or would be
9 retained as cash reserves.

10 64. Zarinegar, PRM, and EP misappropriated certain investment proceeds from the EP
11 Investors, including at least \$46,843 which was used towards the purchase of a recreational vehicle
12 by KoriZ, LLC, a Colorado-organized limited liability company controlled by Kori Zarinegar.

13 65. Regarding management compensation, the EP Offering Documents provided:

14 a) The Manager (PRM) would receive an annual fee of 1% of EP’s cash
15 receipts, not to exceed \$90,000 per year;

16 b) The Manager would not receive any distributions until all preferred returns
17 had been paid and all members’ “Unreturned Capital Contribution Amounts” had been reduced to
18 zero; and

19 c) After all members’ unreturned capital contribution amounts were reduced to
20 zero, the Manager would receive a distribution in the amount of 10% of net available cash flow.

21 66. EP paid Zarinegar and PRM more than what was represented to the EP Investors in
22 the EP Offering Documents.

23 67. During the offering process, an agent acting on behalf of EP and/or PRM
24 represented to at least one EP investor that the properties would be purchased with cash and EP
25 would not incur any debt.
26

1 68. However, EP partially or fully financed nearly all the properties it purchased using
2 loans secured by deeds of trust on the financed properties.

3 69. During the offering process, an agent acting on behalf of EP and/or PRM
4 represented to at least one EP investor that there was no risk associated with investing in EP Units.

5 70. EP was not profitable during any year of its existence.

6 71. Other than the payment of preferred returns, which ceased in 2012, the EP Investors
7 have not received any return of or return on their investments.

8 *Equity Pacesetter II, LLC*

9 72. From approximately December 2011 through October 2013, Zarinegar, Combs, EP
10 II, and PRM offered and sold EP II membership units ("EP II Units") to at least 54 investors ("EP
11 II Investors") in exchange for at least \$2,564,078.

12 73. The EP II Units were not registered with the Commission.

13 74. Some of the EP Investors were solicited via cold calls from EP II or PRM.

14 75. Agents acting on behalf of EP II or PRM provided certain EP II Investors with a
15 Private Placement Memorandum and Operating Agreement (collectively, "EP II Offering
16 Documents") prior to their investments.

17 76. Regarding EP II's business plan, the EP II Offering Documents provided that EP II
18 intended "to engage in the business of purchasing real estate for the purpose of making cosmetic
19 changes, repairs and other enhancements in order to increase the value of the property, and then sell
20 such property. This process is generally referred to as 'fix and flip.'"

21 77. Regarding investor returns, the EP II Offering Documents stated that:

22 a) Investors would receive an 8% "preferred return" each year;

23 b) Investors would receive distributions of EP II's "net available cash flow,"
24 defined as the excess of gross cash receipts over cash disbursements, until their unreturned capital
25 contribution amounts were reduced to zero; and
26

1 c) Investors would receive distributions of 80% of EP II's net available cash
2 flow after all unreturned capital contribution amounts were reduced to zero.

3 78. With respect to management and control of EP II, the Offering Documents provided:

4 a) "Investors will have no voting rights and will not be permitted to take part in
5 the management or control of the Company's business.";

6 b) PRM was the manager of EP II, and had the exclusive authority to manage
7 the day-to-day business and affairs of EP II; and

8 c) PRM's "key personnel," included "Sean Zar," the CEO of PRM, and Combs,
9 a managing partner of PRM.

10 79. The EP II Offering Documents provided the following information regarding
11 Zarinegar's qualifications:

12 a) "Mr. Zar brings more than twenty years [*sic*] experience in operations,
13 evaluation, investment and management of real estate assets";

14 b) Zarinegar "also was the founder and CEO of American Income Securities, an
15 investment company with more than \$50 million in client assets. He also managed a technology
16 venture capital fund where he was responsible for equity and debt investments in a wide variety of
17 companies."; and

18 c) "Mr. Zar has been an active real estate investor in Arizona as well as
19 Colorado and Southern California."

20 80. Regarding Combs' qualifications, the EP II Offering Documents stated:

21 a) Combs is a "graduate in the masters [*sic*] program at USC Los Angeles and
22 has taught numerous classes in business and finance.";

23 b) Combs' "interest in the financial services industry led him to a career in the
24 investment banking industry with E.F. Hutton & Co."; and

25 c) "In 1992 he moved to Scottsdale, Arizona and became involved in the real
26 estate opportunities."

1 81. The EP II Offering Documents did not disclose any information regarding the events
2 in Zarinegar's or Combs' history discussed in ¶¶ 26–51, *supra*.

3 82. The EP II Offering Documents contained the following representations regarding the
4 offering and use of proceeds:

5 a) EP II was offering 500 limited liability company units at a price of \$10,000
6 per Unit, for a total aggregate price of \$5,000,000;

7 b) Offering expenses, defined as “costs and expenses incurred in connection
8 with this offering,” would range from \$1,500 to \$15,000 depending on the number of EP II Units
9 sold;

10 c) Fees to real estate brokers would be 1.2% to 1.5% of the investment
11 proceeds; and

12 d) The remainder of the investment proceeds would be used on the purchase of
13 properties, renovation and improvement costs and expenses, insurance, and utilities, or would be
14 retained as cash reserves.

15 83. Regarding management compensation, the EP II Offering Documents provided:

16 a) The Manager would receive an annual fee of 1% of EP II's cash receipts, not
17 to exceed \$90,000 per year;

18 b) The Manager (PRM) would not receive any distributions until all preferred
19 returns had been paid and all members' “Unreturned Capital Contribution Amounts” had been
20 reduced to zero; and

21 c) After all members' unreturned capital contribution amounts were reduced to
22 zero, the Manager would receive a distribution in the amount of 20% of net available cash flow.

23 84. The EP II Offering Documents did not disclose that EP had never been profitable.

24 85. EP II paid Zarinegar and PRM more than what was represented to the EP II
25 Investors in the EP II Offering Documents.
26

86. On or around January 14, 2013, EP II purchased a residential property on Mountain Cove Drive in Phoenix, Arizona ("Mountain Cove Property") for \$533,000.

87. On or around March 1, 2013, Zarinegar caused EP II to transfer the Mountain Cove Property to KoriZ. Upon information and belief, EP II was not fully compensated for the Mountain Cove Property.

88. Zarinegar and Kori Zarinegar have resided at the Mountain Cove Property since at least March 2013.

89. EP II was not profitable during any year of its existence.

90. The EP II Investors have not received any return of or return on their investments.

Equity Pacesetter III, LLC

91. From approximately March 2013 through November 2013, Zarinegar, EP III, and PRM offered and sold EP III membership units ("EP III Units") to at least 27 investors ("EP III Investors") in exchange for at least \$1,038,000.

92. The EP III Units were not registered with the Commission.

93. Some of the EP III Investors were solicited via cold calls from EP III and PRM.

94. Agents acting on behalf of EP III or PRM provided certain EP III Investors with a Private Placement Memorandum and Operating Agreement (collectively, "EP III Offering Documents") prior to their investments.

95. Regarding EP III's business plan, the EP III Offering Documents provided that EP III intended "to engage in the business of purchasing real estate for the purpose of making cosmetic changes, repairs and other enhancements in order to increase the value of the property, and then rent such property to tenants."

96. Regarding investor returns, the EP III Offering Documents stated that:

a) Investors would receive an 8% "preferred return" each year;

b) Investors would receive distributions of EP III's "net available cash flow," defined as the excess of gross cash receipts over cash disbursements, until their unreturned capital contribution amounts were reduced to zero; and

c) Investors would receive distributions of 70% of EP III's net available cash flow after all unreturned capital contribution amounts were reduced to zero.

97. With respect to management and control of EP III, the Offering Documents provided:

a) "Investors will have no voting rights and will not be permitted to take part in the management or control of the Company's business.";

b) PRM was the manager of EP III, and had the exclusive authority to manage the day-to-day business and affairs of EP; and

c) PRM's "key personnel," included "Sean Zar," the chief executive officer of PRM, and Combs, a managing partner of PRM.

98. The EP III Offering Documents provided the following information regarding Zarinegar's qualifications:

a) "Mr. Zar brings more than twenty years *[sic]* experience in operations, evaluation, investment and management of real estate assets";

b) Zarinegar "also was the founder and CEO of American Income Securities, an investment company with more than \$50 million in client assets."; and

c) "Prior to founding PRM, Mr. Zar founded and served as the President and CEO, a director and the principal shareholder of Core Land & Investments, Inc., a Colorado corporation, formerly Housing Partners, Inc. ("CORE") for eight (8) years."

99. Regarding Combs' qualifications, the EP III Offering Documents stated:

a) Combs is a "graduate in the masters *[sic]* program at USC Los Angeles and has taught numerous classes in business and finance.";

1 b) Combs' "interest in the financial services industry led him to a career in the
2 investment banking industry with E.F. Hutton & Co."; and

3 c) "In 1992 he moved to Scottsdale, Arizona and became involved in the real
4 estate opportunities."

5 100. The EP III Offering Documents did not disclose any information regarding the
6 events in Zarinegar's or Combs' history discussed in ¶¶ 26–51, *supra*.

7 101. The EP III Offering Documents also included a paragraph titled "Prior Performance
8 of Manager," which stated that since November 2010, PRM had purchased 51 properties at an
9 average purchase price of \$152,374. The paragraph also stated that 34 of the homes were resold for
10 an average price of \$187,511, and the other 17 homes were rentals with an average rental rate of
11 \$1,330 per month.

12 102. The EP III Offering Documents did not disclose that neither EP nor EP II had ever
13 been profitable.

14 103. The EP III Offering Documents contained the following representations regarding
15 the offering and use of proceeds:

16 a) EP III was offering 300 limited liability company units at a price of \$10,000
17 per unit, for a total aggregate price of \$3,000,000;

18 b) Offering expenses, defined as "costs and expenses incurred in connection
19 with this offering," would be \$15,000;

20 c) Fees to real estate brokers would be 1.2% to 1.5% of the investment
21 proceeds; and

22 d) The remainder of the investment proceeds would be used on the purchase of
23 properties, renovation and improvement costs and expenses, insurance, and utilities, or would be
24 retained as cash reserves.

25 104. Regarding management compensation, the EP III Offering Documents provided:
26

1 a) The Manager would receive a quarterly fee of 1% of EP III's total revenue,
2 not to exceed \$90,000 per year;

3 b) The Manager (PRM) would not receive any distributions until all preferred
4 returns had been paid and all members' "Unreturned Capital Contribution Amounts" had been
5 reduced to zero; and

6 c) After all members' unreturned capital contribution amounts were reduced to
7 zero, the Manager would receive a distribution in the amount of 30% of net available cash flow.

8 105. EP III and Zarinegar misappropriated certain investment proceeds from the EP III
9 Investors, including at least \$11,268 which was used to partially pay for a vehicle for Combs.

10 106. EP III paid Zarinegar and PRM more than what was represented to the EP III
11 Investors in the EP III Offering Documents.

12 107. EP III was not profitable during any year of its existence.

13 108. The EP III Investors have not received any return of or return on their investments.

14 *American Realty Partners, LLC*

15 109. From approximately July 2013 through June 2015, Zarinegar, ARP, and PRM
16 offered and sold ARP membership units ("ARP Units") to at least 6 investors ("ARP Investors") in
17 exchange for \$4,487,531 in cash and/or real estate.

18 110. The ARP Units were not registered with the Commission.

19 111. Some ARP Investors were solicited via cold calls from ARP or PRM.

20 112. Agents acting on behalf of ARP provided certain ARP Investors with a Private
21 Placement Memorandum and Operating Agreement (collectively, "ARP Offering Documents")
22 prior to their investments.

23 113. Regarding ARP's business plan, the ARP Offering Documents provided that ARP
24 intended "to engage in the business of purchasing real estate for the purpose of making cosmetic
25 changes, repairs, and other enhancements in order to increase the value of the properties, and then
26

1 rent such property to tenants. ARP intends to rent each property for a period of 12 months from
2 acquisition and then resell the property.”

3 114. Regarding investor returns, the ARP Offering Documents stated that:

4 a) Investors would receive an 8% “preferred return” each year;
5 b) Investors would receive distributions of ARP’s “net available cash flow,”
6 defined as the excess of gross cash receipts over cash disbursements, until their unreturned capital
7 contribution amounts were reduced to zero; and

8 c) Investors would receive distributions of 70% of ARP’s net available cash
9 flow after all unreturned capital contribution amounts were reduced to zero.

10 115. With respect to management and control of ARP, the Offering Documents provided:

11 a) “Members will have limited voting rights and will not be permitted to take
12 part in the management or control of ARP’s business.”;

13 b) PRM was the manager of ARP, and had the exclusive authority to manage
14 the day-to-day business and affairs of ARP; and

15 c) PRM’s “key personnel,” included “Sean Zar,” the Chief Executive Officer of
16 PRM, and Combs, a Managing Partner of PRM.

17 116. The ARP Offering Documents provided the following information regarding
18 Zarinegar’s qualifications:

19 a) “Mr. Zar brings more than twenty years [sic] experience in operations,
20 evaluation, investment and management of real estate assets”;

21 b) “Mr. Zar brings investment experience to the company as well as experience
22 having formed successful business partnerships”; and

23 c) “Mr. Zar has been an active real estate investor in Arizona, as well as
24 Colorado and Southern California. Prior to founding PRM, Mr. Zar founded and served as the
25 President and CEO, a director and the principal shareholder of Housing Partners, Inc., and was
26

1 actively involved in land acquisition, development processes, financing, and management of multi-
2 family and single-family projects.”

3 117. Regarding Combs’ qualifications, the ARP Offering Documents stated:

4 a) Combs is a “graduate in the Masters program at University of Southern
5 California (USC) and has taught numerous classes in business and finance.”;

6 b) Combs’ “interest in the financial services industry led him to a career in the
7 investment banking industry with E.F. Hutton & Co.”; and

8 c) “In 1992 he moved to Scottsdale, Arizona and became involved in the real
9 estate opportunities.”

10 118. The ARP Offering Documents did not disclose any information regarding the events
11 in Zarinegar’s or Combs’ history discussed in ¶¶ 26–51, *supra*.

12 119. The ARP Offering Documents did not disclose that EP, EP II, and EP III had never
13 been profitable.

14 120. The ARP Offering Documents contained the following representations regarding the
15 offering and use of proceeds:

16 a) ARP was offering 1,000 limited liability company units at a price of \$10,000
17 per Unit, for a total aggregate price of \$10,000,000;

18 b) Offering expenses, defined as “costs and expenses incurred in connection
19 with this offering,” would be \$30,000;

20 c) Fees to real estate brokers would be 1.2% of the investment proceeds; and

21 d) The remainder of the investment proceeds would be used on the purchase of
22 properties, renovation and improvement costs and expenses, insurance, and utilities, or would be
23 retained as cash reserves.

24 121. Regarding management compensation, the ARP Offering Documents provided:

25 a) The Manager would receive an annual fee, paid quarterly, of the greater of
26 \$120,000, or 1% of ARP’s assets;

1 b) The Manager (PRM) would not receive any distributions until all preferred
2 returns had been paid and all members' "Unreturned Capital Contribution Amounts" had been
3 reduced to zero; and

4 c) After all members' unreturned capital contribution amounts were reduced to
5 zero, the Manager would receive a distribution in the amount of 30% of net available cash flow.

6 122. ARP paid Zarinegar and PRM more than what was represented to the ARP Investors
7 in the ARP Offering Documents.

8 123. In addition, on or around March 13, 2017, Zarinegar caused ARP to convey a parcel
9 of land ("Joy Ranch") in Phoenix, Arizona to Larry J. Messmer, as Trustee of The Larry Messmer
10 Trust, dated September 30, 2006 ("Messmer Trust"). Upon information and belief, ARP was not
11 fully compensated for Joy Ranch.

12 124. The beneficiaries of the Messmer Trust at the time of the conveyance were
13 Zarinegar, Kori Zarinegar, and other members of Zarinegar's family.

14 125. ARP was not profitable during any year of its existence.

15 126. The ARP Investors have not received any return of or return on their investments.

16 ***Performance Realty Management, LLC***

17 127. From approximately November 2015 through July 2016, Zarinegar and PRM
18 offered and sold PRM membership units ("PRM Units") to at least 35 investors ("PRM Investors")
19 in exchange for at least \$2,159,101.

20 128. The PRM Units were not registered with the Commission.

21 129. Some PRM Investors were solicited via cold calls from PRM.

22 130. Agents acting on behalf of PRM provided certain PRM Investors with a Private
23 Placement Memorandum and Operating Agreement (collectively, "PRM Offering Documents")
24 prior to their investments.

25 131. Regarding PRM's business plan, the PRM Offering Documents provided that
26 PRM's business and purpose was to "manage, maintain, improve, develop, construct, lease,

1 manage, sell, exchange, or otherwise dispose of residential and/or commercial real property for the
2 benefit of third-parties,” as well as other activities incidental to the foregoing and any other lawful
3 business.

4 132. Regarding investor returns, the PRM Offering Documents stated that:

- 5 a) Investors would receive distributions prior to any distributions to Zarinegar;
- 6 b) Investors would receive an 8% “preferred return” each year;
- 7 c) Investors would receive distributions of PRM’s “net available cash flow,”
8 defined as the excess of gross cash receipts over cash disbursements, until their unreturned capital
9 contribution amounts were reduced to zero; and
- 10 d) Investors would receive distributions of 70% of PRM’s net available cash
11 flow after all unreturned capital contribution amounts were reduced to zero.

12 133. The PRM Offering Documents did not disclose that EP, EP II, EP III, and ARP had
13 never been profitable.

14 134. With respect to management and control of PRM, the Offering Documents provided:

- 15 a) Investors would not have any power or authority to bind PRM;
- 16 b) “The Class A Units offered herein do not carry any voting rights.”;
- 17 c) All voting units would be held by Zarinegar, who is the sole member and
18 manager of PRM; and
- 19 d) Zarinegar had the exclusive authority to manage the day-to-day business and
20 affairs of PRM.

21 135. The PRM Offering Documents did not disclose any information regarding the events
22 in Zarinegar’s history discussed in ¶¶ 26–44, *supra*.

23 136. The PRM Offering Documents contained the following representations regarding
24 the offering and use of proceeds:

- 25 a) PRM was offering 100 PRM Units at \$15,000 per unit;
- 26 b) Offering expenses would be \$15,000;

1 c) The remainder of the proceeds would be used “towards the general
2 operations of [PRM] in serving as Manager of American Realty.”

3 137. Zarinegar and PRM misappropriated certain PRM investment proceeds by:

4 a) Purchasing a Ferrari for Zarinegar using at least \$107,202 of the investment
5 proceeds;

6 b) Purchasing another vehicle for Zarinegar’s family using at least \$13,611.20
7 of the investment proceeds;

8 c) In December 2015, transferring at least \$167,480 of the investment proceeds
9 to PPG;

10 d) In December 2015, transferring at least \$169,900 of the investment proceeds
11 to Zarinegar;

12 e) In June 2016, transferring at least \$23,995 of the investment proceeds to
13 PPG; and

14 f) In June 2016, transferring at least \$23,080 of the investment proceeds to
15 Zarinegar.

16 138. Regarding management compensation, the PRM Offering Documents provided:

17 a) Zarinegar would receive an annual fee of 1% of PRM’s assets;

18 b) Zarinegar would not receive any distributions until all preferred returns had
19 been paid and all investors’ “Unreturned Capital Contribution Amounts” had been reduced to zero;
20 and

21 c) After all members’ unreturned capital contribution amounts were reduced to
22 zero, the Manager would receive a distribution in the amount of 30% of net available cash flow.

23 139. PRM paid Zarinegar in excess of what was represented to the PRM Investors in the
24 PRM Offering Documents.

25 140. PRM was not profitable during any year of its existence.

26 141. The PRM Investors have not received any return of or return on their investments.

American Housing Income Trust, Inc.

142. From approximately July 2015 through March 2017, AHIT sold its stock ("AHIT Stock") to at least 54 investors ("AHIT Investors") in exchange for at least \$3,035,192 in cash and real estate.

143. The AHIT Stock was not registered with the Commission.

144. Some AHIT Investors were solicited via cold calls from AHIT or PRM.

145. Nineteen of the AHIT Investors purchased \$2,325,326 in AHIT Stock during an offering from July 2015 to December 2015 ("2015 Offering").

146. During the 2015 Offering, Zarinegar, and other agents acting on behalf of AHIT provided certain AHIT Investors with offering documents, including a Private Placement Memorandum ("AHIT PPM") and several brochures ("AHIT Brochures").

147. Regarding AHIT's business operations, the AHIT PPM stated that "the Company intends on engaging in the business of purchasing real estate for the purpose of making cosmetic changes, repairs, and other enhancements in order to increase the value of the properties, and then rent such property to tenants."

148. The AHIT PPM also stated AHIT had acquired all of the outstanding units of ARP, and that ARP had therefore become a wholly-owned subsidiary of AHIT.

149. In a section titled "2014 YEAR IN REVIEW," the AHIT PPM stated, "By many measures, 2014 was an extraordinary year for American Realty, the Company's wholly-owned subsidiary and operating entity for our current management team."

150. One of the AHIT Brochures included a chart purporting to show projected returns for AHIT. The chart projected annual distributions of 8-10%, and a five-year return on investment of 71%.

151. Another AHIT Brochure provided a list of four "CORE Values," which AHIT claimed to be its "guiding principles." The list included both "ethics" and "profitability."

1 152. The AHIT PPM and Brochures did not disclose that ARP's operations lost over
2 \$1,000,000 in 2014, or that EP, EP II, EP III had consistently lost hundreds of thousands of dollars
3 per year.

4 153. Regarding the qualifications of management, the AHIT Brochures stated that
5 "Management of the fund has more than 5 decades of combined experience in real estate distressed
6 asset acquisitions, disposition and rental and is a recognized leader in the Arizona foreclosure
7 market."

8 154. The AHIT Brochures also identified Zarinegar as a board member, and stated that:

9 a) "Mr. Zarinegar brings more than twenty years of experience in operations,
10 evaluation, investment and management of real estate assets and is responsible for new asset
11 origination, evaluation, analysis and due diligence, as well as overall executive direction."; and

12 b) "Mr. Zarinegar brings investment experience to the company as well as
13 experience having formed successful business partnership and has acquired a talented team of
14 experts necessary to support ongoing and future projects and opportunities."

15 155. The AHIT PPM and Brochures did not disclose any information regarding the
16 events in Zarinegar's history as described in ¶¶ 26–44.

17 156. The AHIT PPM contained the following representations regarding the offering and
18 use of proceeds:

19 a) AHIT was offering 3,000,000 shares of AHIT Stock at \$3.00 per share;

20 b) Offering expenses would be \$50,000; and

21 c) The remainder of the proceeds would be used "towards the acquisition of
22 single family residences, and for operational costs associated with such acquisitions."

23 157. Regarding management of the properties, the AHIT PPM represented that AHIT
24 provided the property management services internally, and that by doing so it would foster
25 relationships with tenants and gain tighter control over the quality and cost of restorations and
26 property maintenance.

1 158. Beginning in June 2016, AHIT conducted another offering (“2016 Offering”) during
2 which AHIT offered and sold AHIT stock to 35 AHIT Investors in exchange for \$709,866.

3 159. During the 2016 Offering, agents acting on behalf of AHIT provided certain AHIT
4 Investors with offering documents, including a prospectus (“AHIT Prospectus”).

5 160. The AHIT Prospectus identified Zarinagar as the chairman of the board, chief
6 financial officer, and treasurer.

7 161. Regarding Zarinagar’s qualifications, the AHIT Prospectus stated:

8 a) “Mr. Zarinagar brings more than twenty years of experience in operations,
9 evaluation, investment and management of real estate assets”; and

10 b) “Mr. Zarinagar brings investment experience to the company as well as
11 experience having formed successful business partnerships and has acquired a talented team of
12 experts necessary to support ongoing and future projects and opportunities.”

13 162. Other than mentioning the existence of the cease and desist orders by the Kansas
14 Securities Commission and Alabama Securities Commission, the AHIT Prospectus did not disclose
15 any information regarding the events in Zarinagar’s or Combs’ history as described in ¶¶ 26–51.

16 163. Regarding the use of proceeds, the AHIT Prospectus stated:

17 a) Offering expenses would be approximately \$50,000, regardless of the
18 amount raised;

19 b) Consulting and management fees would be approximately 4.3% of the
20 investment proceeds; and

21 c) Approximately 72.4% of the proceeds would be used “towards the
22 acquisition of future properties consistent with the Company’s plan to expand its revenue
23 generating real estate portfolio.”

24 164. Despite what was represented to the AHIT Investors, AHIT never purchased any
25 new properties with the investment proceeds.
26

165. Although ARP purchased two properties after it became a subsidiary of AHIT, the properties were purchased at the beginning of the 2015 Offering and were purchased largely with hard money loans. Specifically, ARP purchased:

a) A residential property purchased for \$193,800 in July 2015 using a \$165,000 loan; and

b) A residential property purchased for \$101,000 in September 2015 using an \$80,000 loan.

166. AHIT was never profitable. Its net losses were \$2,766,424 in 2015 and \$4,429,692 in 2016.

167. In or around May 2017, AHIT changed its name to Corix Bioscience, Inc., ceased operations as a real estate company, and began operating as a manufacturer of cannabidiol oil, a cannabis derivative.

168. The AHIT Investors have not received any return of or return on their investments.

IV.

VIOLATION OF A.R.S. § 44-1841

(Offer or Sale of Unregistered Securities)

169. From on or about May 2010 through February 2012, Respondents EP, PRM, Zarinegar, and Combs offered or sold securities in the form of investment contracts, within or from Arizona.

170. From on or about December 2011 through October 2013, Respondents EP II, PRM, Zarinegar, and Combs offered or sold securities in the form of investment contracts, within or from Arizona.

171. From on or about March 2013 through November 2013, Respondents EP III, PRM, Zarinegar, and Combs offered or sold securities in the form of investment contracts, within or from Arizona.

172. From on or about July 2013 through June 2015, Respondents ARP, PRM, and Zarinegar offered or sold securities in the form of investment contracts, within or from Arizona.

173. From on or about November 2015 through July 2016, Respondents PRM and Zarinegar offered or sold securities in the form of investment contracts, within or from Arizona.

174. From on or about July 2015 through March 2017, Respondent AHIT offered or sold securities in the form of stock, within or from Arizona.

175. The securities referred to above were not registered pursuant to Articles 6 or 7 of the Securities Act.

176. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

177. Zarinegar, Combs, EP, EP II, EP III, ARP, PRM, and AHIT offered or sold securities within or from Arizona as described above while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

178. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

179. In connection with the offer or sale of securities within or from Arizona, Zarinegar, Combs, EP, EP II, EP III, ARP, PRM, and AHIT directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

1 a) Making false or misleading representations to certain EP Investors regarding
 2 Zarinegar's and Combs' qualifications, the use of investment proceeds, management compensation,
 3 using debt to purchase properties, and the risk associated with investment in EP;

4 b) Misappropriating certain investment proceeds from EP Investors;

5 c) Making false or misleading representations to certain EP II Investors regarding
 6 Zarinegar's and Combs' qualifications, the use of investment proceeds, returns to be paid to investors,
 7 and management compensation;

8 d) Making false or misleading representations to certain EP III Investors regarding
 9 Zarinegar's and Combs' qualifications, the use of investment proceeds, returns to be paid to investors,
 10 PRM's past performance, and management compensation;

11 e) Misappropriating certain investment proceeds from EP III Investors;

12 f) Making false or misleading representations to certain ARP Investors regarding
 13 Zarinegar's and Combs' qualifications, the use of investment proceeds, returns to be paid to investors,
 14 and management compensation;

15 g) Making false or misleading representations to certain PRM Investors regarding
 16 Zarinegar's qualifications, the use of investment proceeds, returns to be paid to investors, and
 17 management compensation;

18 h) Misappropriating certain investment proceeds from PRM Investors; and

19 i) Making false or misleading representations to certain AHIT Investors regarding
 20 Zarinegar's and Combs' qualifications, the use of investment proceeds, returns to be paid to investors,
 21 and ARP's performance.

22 180. This conduct violates A.R.S. § 44-1991.

23 VII.

24 CONTROL PERSON LIABILITY PURSUANT TO A.R.S. § 44-1999

25 181. At all relevant times, Zarinegar directly or indirectly controlled EP, EP II, EP III,
 26 ARP, PRM, and AHIT within the meaning of A.R.S. § 44-1999. Therefore, Zarinegar is jointly

1 and severally liable to the same extent as EP, EP II, EP III, ARP, PRM, and AHIT for their
2 violations of A.R.S. § 44-1991.

3 182. At all relevant times, PRM directly or indirectly controlled EP, EP II, EP III, and
4 ARP within the meaning of A.R.S. § 44-1999. Therefore, PRM is jointly and severally liable to the
5 same extent as EP, EP II, EP III, and ARP for their violations of A.R.S. § 44-1991.

6 **VIII.**

7 **EFFECTS OF MERGER AND CONVERSION**

8 183. Pursuant to A.R.S. § 29-757,¹ ARP is liable to the same extent as EP, EP II, and EP III
9 for their violations of the Securities Act.

10 184. On or around May 4, 2017, AHIT, a Maryland corporation, changed its name to Corix
11 Bioscience, Inc.

12 185. On or around June 20, 2017, Corix Bioscience, Inc. caused itself to convert into and
13 continue as Corix Bioscience, Inc. ("Corix") a corporation registered with the secretary of state of
14 Wyoming.

15 186. Accordingly, pursuant to Md. Code Ann., Corps. & Ass'ns § 3-904, and Wyo. Stat.
16 Ann. § 17-16-1810, AHIT continues to exist as Corix and Corix is liable to the same extent as AHIT
17 for any violations by AHIT of the Securities Act.

18 **IX.**

19 **REQUESTED RELIEF**

20 The Division requests that the Commission grant the following relief:

21 1. Order Respondents to permanently cease and desist from violating the Securities Act
22 pursuant to A.R.S. § 44-2032;

23 2. Order Respondents to take affirmative action to correct the conditions resulting from
24 Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to
25 A.R.S. § 44-2032;

26

¹ A.R.S. § 29-757 was repealed effective January 1, 2015, but was in effect in 2013 at the time of the ARP merger.

3 4. Order that the marital communities of Respondents and Respondent Spouses be subject
4 to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action
5 pursuant to A.R.S. § 25-215; and

7	X.
---	-----------

8 HEARING OPPORTUNITY

17 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
18 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
19 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission
20 may, without a hearing, enter an order granting the relief requested by the Division in this Notice of
21 Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Kacie Cannon, ADA Coordinator, voice phone number (602) 542-3931, e-mail kcannon@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation. Additional

information about the administrative action procedure may be found at
<http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

XI.

ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing, the requesting Respondent or Respondent Spouse must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

Additionally, the answering Respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed to Chris Nichols.

The Answer shall contain an admission or denial of each allegation in this Notice and the original signature of the answering respondent or respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering Respondent intends in good faith to deny only a part or a qualification of an allegation, the Respondent shall specify that part or qualification of the allegation and shall admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

The officer presiding over the hearing may grant relief from the requirement to file an Answer for good cause shown.

Dated this 29th day of March, 2019.



Mark Dinell
Director of Securities